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SUBJECT: ICELAND: RUMBLE IN REYKJAVIK SHAKES GOVERNMENT

¶1. (SBU) Summary: The Icelandic parliament's return after its holiday recess has been marred by the largest protests the country has experienced since the 1949 debate over NATO membership. By some estimates, as many as 2,000 demonstrators caused enough noise to force a halt to the opening legislative session on the afternoon of January 20. The Althingi reconvened later in the day, amidst protests so severe that members of the cabinet were unable to leave the building for several hours after the session finally concluded. The demonstrations have carried on into a second day, forcing another disruption in the legislative schedule and sparking a tense confrontation in front of the Prime Minister's Office. Tension within the governing coalition is at an all-time high, and the government appears to be at a loss for ways to lower the temperature. Early elections later this year now seem a near-certainty, with even the Deputy Chair of the junior coalition party openly calling for them. End Summary.

¶2. (U) On January 20, the Icelandic parliament -- the Althingi -- reconvened after a month-long holiday break. During the holiday recess, the protest movements sparked by this fall's economic collapse continued to organize at least one demonstration weekly, generally in the square in front of the Althingi. Though attendance and enthusiasm dipped over the holidays, many predicted that pressure would start to rise again in January, both as a result of the Althingi's return as well as the fact that the severance packages from many of the autumn layoffs would expire during the month. (Unemployment has gone from 5.8 percent on Dec. 24 to 7.3 percent on January 20.) A foretaste came on Dec. 31, when protestors burst into a hotel on the square where a televised talk show with the country's political leaders was taking place. They were removed by police using pepper spray, but not before they managed to halt the broadcast by setting fire to some of the transmission equipment.

¶3. (U) On January 20, as many as 2,000 protestors quickly surrounded the Althingi after it reconvened. The atmosphere was tense as protestors generated thunderous noise, threw eggs, snowballs, and paint as they called for new elections while lawmakers tried to continue with their session. Some protestors banged on the windows of the parliament building and set off firecrackers. Police used pepper spray repeatedly to control the crowd, which grew in size and intensity enough to force a delay in the Althingi session. Inside the building, the opposition Left-Green Movement used question time and open debate to reiterate its support for the protestors, and several Left-Green MPs used the recess periods to go outside and join the protest. Over 100 police officers were present and over 30 people were arrested, among them many teenagers. As night fell, the demonstrators lit a bonfire outside the Althingi and added park benches as well as the Christmas tree given annually to the City of Reykjavik from Oslo. Some MPs,

including the Speaker of the Parliament, could not leave the building until late evening. The protest ended shortly after 3 a.m. following a series of violent confrontations between police and small groups of protestors. Most observers report that the demonstrations were only equaled by the unforgettable 1949 protests against NATO accession.

¶4. (U) The following day, as protestors gathered again outside the building, the Speaker of the Althingi cancelled the parliament's scheduled session and instead held a meeting with the chairmen of the political parties. They decided that on January 22 the parliament will conduct a lengthy debate on economic issues, at which time PM Geir Haarde will present a report on the economic situation. This did little to sate the assembled protestors, who later moved to the Prime Minister's Office and repeated the tactics of the previous day. A tense confrontation ensued when PM Haarde attempted to leave the building, as protestors blocked his car from leaving and threw eggs and other projectiles at the vehicle. They were finally removed by the PM's security detail.

¶5. (SBU) Tensions are very high within the coalition government as well as outside government buildings. Opposition parties have strengthened their call for early elections, with Left-Green Chair Steingrímur Sigfússon asking the government what other way it might have in mind to meet the demands of the nation. The Social Democratic Alliance (SDA), the junior party in the coalition, has moved from quiet agitation to near-open rebellion, as the SDA Deputy Chair said in a media interview on Jan. 21 that early elections this spring are "unavoidable." On January 21, the Reykjavik Chapter of the SDA, the party's largest, will be holding a meeting to discuss the coalition with the Independence Party (IP). Many SDA members believe that the meeting will pass a resolution calling for early elections. Meanwhile, IP dissatisfaction with PM Haarde is also

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growing, a week ahead of that party's national congress. Embassies have heard from two IP insiders in the last day that many fear the PM is "not doing anything" and that the situation will only get worse absent some dramatic action. The only prominent IP comment in the last 24 hours has been the Justice Minister's statement that police are ready to deal more harshly with protestors should they continue to break the law.

¶6. (SBU) Comment: The January 21 demonstration may have been a turning point in the political situation here. The raw emotion of the demonstrations has shocked and unsettled Icelanders unaccustomed to open civil strife. The linkage to the 1949 NATO riots, which are seared into Iceland's collective memory, is telling. The cabinet, especially the IP, appears confused as to how to contain the escalating disorders. Coverage of the Prime Minister's embarrassing encounters with the protestors has not reassured the public regarding his leadership abilities. Undoubtedly, the government's response has been hindered by the absence of Foreign Minister and SDA Chair Ingibjörg Solrun Gísladóttir, who is in Sweden receiving (unexpectedly prolonged) treatment for a brain tumor diagnosed last fall. Without Gísladóttir's calm leadership, the SDA is having difficulty finding a coherent message. As the country's new special prosecutor investigating last fall's economic collapse begins his work this month, reports of corruption in Icelandic business life will only fuel popular dissatisfaction. Absent some bold and effective move to release public pressure, the assessment of early elections as "unavoidable" may prove to be right.

VAN VOORST